National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended 31 December 2011

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2011-12 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

The significant variances in the third quarter and year-to-date expenditures between 2010-11 and 2011-12 are as follows:

- The year-to-date expenditures for personnel in 2011 is 2.7M greater than the same 9 month period in 2010. This increase is attributable to incremental Full Time Equivalents (FTEs)

required due to forecasted increases in regulatory responsibility. Funding was approved for these additional FTEs in 2009-10 and the Board was able to augment the net staff complement over time.

- Transportation and communications year to date spending is up by approximately $300K over the same period last year and about $200K over the second quarter of 2011. Much of this increase is attributable to costs associated with the Arctic Offshore Drilling Review which was conducted throughout the North.

- Year to date spending in the rentals category is $200K higher in 2011 over the same period last year. This is a result of helicopter rentals associated with pipeline inspections and increased audio equipment rentals for the Arctic Offshore Drilling Review and other hearings.

- The $500K increase in professional and special services expenditures in the third quarter, $1.2M year to date, is a result of increased contract spending related to the Arctic Offshore Drilling Review that is being conducted by the NEB. This increased spending was anticipated and is reflected in the planned expenditure numbers.

Planned Expenditures

During the third quarter $2.0M in temporary funding was received from Natural Resources Canada in support of the Arctic Offshore Drilling Review. These funds have been allocated and the combined appropriations have resulted in the following variances between 2010-11 and 2011-12.

- Total planned spending for personnel has decreased slightly in 2011-12. The additional funding for FTE's related to forecasted increases in regulatory responsibility has been offset in 2011-12 by the cessation of special allowances contained in the current collective agreement which expired 31 October 2011. It is expected that funding will be renewed for these allowances prior to 31 March 2012.

- Planned spending for professional and special services has increased by $3.6M or 81% in 2011-12. This reflects anticipated increased spending related to the Arctic O' shore Drilling Review that was conducted by the NEB. The other significant planned expenditure is in the area of upgraded software applications.

- The final item of note is the planned spending of $1.4M for Transfer Payments which was included in the 2011-12 Main Estimates. At the end of 2009-10 participant funding provisions were added to the National Energy Board Act and funding for this provision was made available to the NEB in the third quarter of 2010-11 through Supplementary

Estimates B. The NEB's Participant Funding Program (PFP) will be used to provide financial assistance to support the engagement of Aboriginal groups, landowners, not-for-profit organizations and other eligible persons in the regulatory assessment processes for major facility projects.

Risks and Uncertainties

The NEB's workload is driven by external events such as decisions by industry to file applications and the complexity of applications. Concerns regarding pipeline safety or environmental protection can also affect NEB workload. The majority (81%) of the NEB's costs are related to personnel. Given the competitive nature of the energy industry, the attraction and retention of qualified staff is an ongoing challenge. The current collective agreement expired on 31 October 2011. Negotiations on a new agreement are under way, however, there is a level of uncertainty related to staffing expenditures for the next few years.

Due to the nature of its mandate the NEB's expenditures can also be influenced by unplanned external events which create uncertainty in expenditures and resource pressures.

Significant Changes in Relation to Operations, Personnel and Programs

The addition of participant funding provisions to the National Energy Board Act has resulted in a permanent increase to NEB authorities.

As a result of increased interest in offshore drilling in Canada's North, the Board decided to conduct an Arctic Offshore Drilling Review. The NEB received additional funding for the review this year. This work has now been completed.

Approval by Senior Officials

Approved by,

Gaetan Caron, Chair and CEO

Ed Jansen CA, Chief Financial Officer

(Calgary, Canada)
(29 February 2012)

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For the quarter ended *December 31, 2011*

STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012	Used during the quarter ended December 31, 2011	Year to date used at quarter-end	Total available for use for the year ended March 31, 2011	Used during the quarter ended December 31, 2010	Year to date used at quarter-end
Vote 25 - Net Operating expenditures	57,024	13,757	40,169	53,325	12,177	36,126
Budgetary statutory authorities	7,099	1,775	5,324	6,344	1,586	4,758
Total Budgetary authorities	**64,123**	**15,532**	**45,493**	**59,669**	**13,763**	**40,884**
Non-budgetary authorities						
Total authorities	**64,123**	**15,532**	**45,493**	**59,669**	**13,763**	**40,884**

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DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended December 31, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended December 31, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	46,903	12,327	36,858	47,783	11,547	34,124
Transportation and communications	5,067	993	2,407	3,210	695	2,150
Information	361	49	195	251	77	191
Professional and special services	8,047	1,577	4,499	4,433	1,093	3,331
Rentals	328	177	391	331	115	194
Repair and maintenance	826	60	412	1,067	86	389
Utilities, materials and supplies	790	97	271	506	126	328
Acquisition of land, buildings and works	49	16	16	715	4	24
Acquisition of machinery and equipment	331	210	314	1,291	33	115
Transfer payments	1,366	26	89	-	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	55	0	41	82	(13)	38
Total gross budgetary expenditures	**64,123**	**15,532**	**45,493**	**59,669**	**13,763**	**40,884**
Less Revenues netted against expenditures:						
Regulatory Revenue	-	(14,824)	(44,562)	-	(14,725)	(44,380)
Miscellaneous Revenue	-	(23)	(35)	-	(5)	(50)
Total Revenues netted against expenditures:	-	**(14,847)**	**(44,597)**	-	**(14,730)**	**(44,430)**
Total net budgetary expenditures	**64,123**	**685**	**896**	**59,669**	**(967)**	**(3,546)**